

Message Text

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FM AMEMBASSY STOCKHOLM
TO SECSTATE WASHDC 4080
INFO AMEMBASSY ANKARA
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E.O. 11652: N/A
TAGS: EIND, EINV, EWWT, SW
SUBJECT: SWEDISH GOVERNMENT PROPOSES ALTERNATIVE PRODUCTION AND
SHARP REDUCTION IN CAPACITY OF SHIPBUILDING INDUSTRY
REF: (A) 77 STOCKHOLM 4716, (B) 77 STOCKHOLM A-67

1. SUMMARY. GOS WILL PROPOSE TO RIKSDAG IN FALL DRASTIC

MEASURES TO RESTRUCTURE SWEDEN'S DEPRESSED SHIP-BUILDING INDUSTRY. LABOR FORCE REDUCTIONS PHASED OVER THREE YEARS WOULD TOTAL OVER 9,000, NOT INCLUDING THE EFFECTS ON SUBCONTRACTORS. ALTERNATIVE PRODUCTION, SUCH AS HEAVY ENGINEERING PRODUCTS AND HIGHLY SPECIALIZED SHIPS, IS TO BE FACILITATED BY EASY CREDITS. GOTEBOG, REPORTS OUR CONSUL GENERAL, IS SHOCKED. THE UNIONS ARE NOT ACQUIESCING IN THE PROPOSAL. END SUMMARY.

2. ON JUNE 15 THE SWEDISH MINISTRY OF INDUSTRY ANNOUNCED THAT THE GOVERNMENT, IN A BILL TO BE SUBMITTED TO THE RIKSDAG DURING THE COMING AUTUMN SESSION, WILL PROPOSE WHAT IT REGARDS AS A NECESSARY DRASTIC REDUCTION IN THE SIZE OF THE NATION'S SHIPBUILDING INDUSTRY AND THE COMMENCEMENT OF ALTERNATIVE PRODUCTION AT SOME YARDS. IT IS ESTIMATED THAT THIS COMPREHENSIVE RESTRUCTURING PROCESS WILL RESULT IN THE LOSS OF SOME 9,000 SHIP-BUILDING JOBS ALTOGETHER. THE DECISION TO PROPOSE SUCH A DRASTIC MOVE WAS SAID TO HAVE BEEN PROMPTED BY SEVERAL RECENT MARKET ANALYSES, ALL OF WHICH INDICATED THAT THE SHIPPING RECESSION IS EXPECTED TO PERSIST FOR SOME TIME, RESULTING IN LITTLE, IF ANY, NEED FOR NEW CONSTRUCTION, PARTICULARLY FOR SUCH VESSELS AS LARGE TANKERS AND BULK CARRIERS.

3. THE PROPOSED MEASURES ARE INTENDED TO BE COMPLETED
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BY THE END OF 1981. AMONG OTHER THINGS, THEY WILL PROVIDE FOR THE FOLLOWING:

A) PRODUCTION OF THE ARENDALSVARVET AND THE CITYVARVET (BOTH IN THE STATSVARV GROUP) WILL BE COORDINATED. SOME KIND OF ALTERNATIVE PRODUCTION WILL TAKE PLACE AT THESE YARDS, AS WELL AS SOME SHIP'S MAINTENANCE AND REPAIR WORK. THE LABOR FORCE AT THESE YARDS WILL BE REDUCED BY 2,300 PERSONS TO A TOTAL OF 4,100.

B) THE BUILDING OF SHIPS AT THE ORESUNDSVARV WILL BE TERMINATED GRADUALLY AND BE REPLACED BY THE MANUFACTURING OF SOME KIND OF HEAVY ENGINEERING EQUIPMENT. THE LABOR FORCE HERE WILL BE REDUCED BY 1,800 PERSONS TO A TOTAL OF 1,450.

C) UDDEVALLAVARVET NORTH OF GOTEBOG WILL CONCENTRATE ON BUILDING VARIOUS TYPES OF SPECIAL-DUTY VESSELS. ITS LABOR FORCE WILL DIMINISH BY ABOUT 1,000 PERSONS TO A TOTAL OF 2,300.

D) KOCKUMS VARV (THE ONLY LARGE SHIPYARD OUTSIDE THE GOVERNMENT STATSVARV GROUP) WILL CONCENTRATE ON THE BUILDING OF SPECIAL-DUTY VESSELS AND VARIOUS KINDS OF ALTERNATIVE HEAVY ENGINEERING PRODUCTS. THE MANPOWER

AT KOCKUMS TO BE RETAINED ON SHIPBUILDING WILL BE REDUCED IN NUMBER BY 1,100 PERSONS TO A TOTAL OF 4,100. HOW MANY THAT CAN BE EMPLOYED IN ALTERNATIVE PRODUCTION HAS NOT BEEN INDICATED.

E) THE SWEDISH ECONOMIC PRESS ESTIMATES THAT ALL OF THE SUPPORT MEASURES MIGHT COST 7 BILLION SKR BY 1981.

4. IT IS NOTED THAT IN ADDITION TO THE AFOREMENTIONED PLANNED MANPOWER REDUCTIONS MENTIONED IN THE INDUSTRY MINISTRY'S ANNOUNCEMENT, THE SWEDISH RIKSDAG HAD, ALREADY IN 1976, DECIDED ON DIMINISHING THE LABOR FORCE OF THE ERIKSBERG YARD (ALSO LOCATED IN GOTEBOG AND BELONGING TO THE STATSVARV GROUP) BY SOME 2,700 PERSONS. THIS REDUCTION IS TAKING PLACE IN STAGES AND IS STILL UNCLASSIFIED

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4. IT IS NOTED THAT IN ADDITION TO THE AFOREMENTIONED PLANNED
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MANPOWER REDUCTIONS MENTIONED IN THE INDUSTRY MINISTRY'S
ANNOUNCEMENT, THE SWEDISH RIKSDAG HAD,, ALREADY IN 1976,
DECIDED ON DIMINISHING THE LABOR FORCE OF THE ERIKSBERG
YARD (ALSO LOCATED IN GOTEBOURG AND BELONGING TO THE STATS-
VARV GROUP) BY SOME 2,700 PERSONS. THIS REDUCTION IS TAKING
PLACE IN STAGES AND IS STILL UNDER WAY.

5. TO FACILITATE THE PROPOSED RESTRUCTURING PROCESS IN THE
SHIPBUILDING INDUSTRY, A SPECIAL INDUSTRIAL DEVELOPMENT FUND
WILL BE CREATED TO HELP FINANCE THE SHIFT TO ALTERNATIVE
PRODUCTION AND SOFTEN WHATEVER EMPLOYMENT PROBLEMS THAT MAY
ARISE AS A RESULT OF THE PROPOSED MANPOWER REDUCTIONS. THERE
IS NO INDICATION AS TO HOW LARGE THAT FUND WILL BE, BUT THE
INDUSTRY MINISTRY HAS REVEALED IT WILL HAVE SUBSTANTIAL RE-
SOURCES. THE GOVERNMENT ALSO PROPOSES THAT THE SHIPYARDS
CONTINUE TO BE ELIGIBLE TO RECEIVE GOVERNMENT CREDIT GUARANTEES
VALID FOR 12 YEARS AND COVERING 75 PERCENT OF THE CONTRACT
PRICE. THERE ARE ALSO PLANS TO PROVIDE VARIOUS FORMS OF FINANCIAL
SUPPORT TO DOMESTIC CUSTOMERS OF THE SHIPYARDS PROVIDED THEIR
ORDERS ARE PLACED BEFORE THE END OF JUNE 1979. AMONG OTHER
THINGS, IT IS PROPOSED THAT SUCH FINANCIAL SUPPORT ALSO INCLUDE
GOVERNMENT WRITE-OFF LOANS (I.E. LOANS THAT ARE WRITTEN OFF
PROVIDED CERTAIN CONDITIONS ARE MET) COVERING UP TO 20 PERCENT
OF THE CONTRACT PRICE.

6. ACCORDING TO SWEDISH TRADE UNION OFFICIALS, THE GOVERNMENT
PROPOSAL AS OUTLINED ABOVE IS COMPLETELY UNACCEPTABLE SINCE
IT MEANS THE LOSS OF AT LEAST 11,000 JOBS INCLUDING THOSE OF
SUB/CONTRACTING. AS SOON AS THE GOVERNMENT'S INTENTIONS WRE
MADE KNOWN, LABOR REPRESENTATIVES OF ALL THE YARDS AFFECTED
CONVENED AT KARLSKRONA TO DISCUSS THE SITUATION. THE CONSENSUS

APPEARS TO BE THAT IF THE GOVERNMENT SHOULD CARRY THROUGH ITS PLANS, THE ONLY SHIPYEAR THAT MIGHT POSSIBLY SURVIVE IS THE UNCLASSIFIED

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KOCKUMS YARD AT MALMO. ACCORDING TO A PROMINENT METALWORKERS UNION LEADER, THE GOVERNMENT PROPOSAL SPELLS SOCIAL AND ECONOMIC CATASTROPHE FOR THE AREAS WHERE THE AFFECTED YARDS ARE LOCATED.

7. OUR CONSULATE GENERAL IN GOTEBOURG REPORTS THAT ALTHOUGH IT HAS LONG BEEN KNOWN THAT THE GOVERNMENT WOULD BE CLOSING DOWN AT LEAST SOME OF THAT PORT CITY'S SHIP-BUILDING FACILITIES, THE ACTUAL GOVERNMENT DECISION, AS ANNOUNCED BY INDUSTRY MINISTER ASLING, CAME AS A SEVERE SHOCK. THE CLOSURES MEAN THAT SOME 5,000 WORKERS WILL BE LAID OFF IN THE SHIPYARDS, WHILE SEVERAL THOUSAND MORE JOBS WILL BE LOST AMONG THE YARDS' SUB-CONTRACTORS. THE LOCAL EMPLOYMENT OUTLOOK HAD ALREADY BEEN DEPRESSED BY LAST MONTH'S ANNOUNCEMENT THAT SEVERAL THOUSAND JOBS IN THE GOTEBOURG AREA WOULD BE LOST IN THE SHIFT OF CERTAIN VOLVO UNITS TO NORWAY IN CONNECTION WITH THE NOLVO-NORWEGIAN LINK-UP, AND THE SHIPYARD CLOSURES WILL FURTHER WORSEN AN ALREADY DIFFICULT SITUATION.

8. REACTION BY THE GOTEBOURG LABOR MOVEMENT HAS BEEN PREDICTABLY STRONG, WITH THE LOCAL LO CHIEF CALLING THE GOVERNMENT DECISION A "SOCIAL AND ECONOMIC CATASTROPHE". SVEN HULTERSTROM, CHAIRMAN OF THE SOCIAL DEMOCRATIC PARTY IN THE CITY, DESCRIBING THE MOVE AS A "DEATH BLOW" TO THE CITY'S WORKERS, QUESTIONED WHETHER THE DECISION WILL OBTAIN PARLIAMENTARY APPROVAL, SINCE MEMBERS OF PARLIAMENT FROM ALL PARTIES IN THE GOTEBOURG AREA HAVE EXPRESSED OPPOSITION TO THE PROPOSAL. THE GOTEBOURG AFTERNOON PAPER "GOTEBORGS-TIDNINGEN" HAS ALSO RAISED THE POINT THAT SHOULD AS MANY AS SIX OF THE GOVERNMENT M.P.'S IN THE AREA VOTE AGAINST THE PROPOSAL, IT WOULD NOT PASS THE RIKSDAG. HOWEVER, IN VIEW OF THE SWEDISH TRADITION OF PARTY DISCIPLINE IN PARLIAMENTARY VOTING, IT SEEMS UNLIKELY THAT A SUFFICIENT NUMBER OF GOVERNMENT M.P.'S WOULD BREAK WITH THEIR PARTIES' LEADERSHIP TO VOTE DOWN THE PROPOSAL. FURTHERMORE, WHILE THE LOCAL M.P.'S ARE UNHAPPY OVER THE CLOSURE, THEY ARE COGNIZANT OF THE ECONOMIC FACTS OF LIFE WHICH MAKES THE CLOSURES INEVITABLE.

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9. THE CLOSURE OF THE YARDS WILL BRING TO AN END A
LONG TRADITION OF SHIPBUILDING IN GOTEBOURG, DATING BACK

TO THE 18TH CENTURY. IN THE 1960'S , THE THREE MAJOR
GOTEBORG SHIPYARDS WERE RESPONSIBLE FOR ALMOST TEN
PERCENT OF THE LAUNCHED WORLD TONNAGE, BUT WITH THE
DECLINE IN THE WORLD MARKET, AND THE RESULTANT LACK OF
NEW ORDERS, THEIR PRODUCTION HAS PLUMMETED RAPIDLY.
(IN 1977, ALL SWEDISH YARDS ACCOUNTED FOR 8.7 PERCENT
OF WORLD OUTPUT.) THEIR CLOSURE REPRESENTS A MAJOR
PSYCHOLOGICAL AS WELL AS ECONOMIC LOSS TO THE CITY AND
TO THE SWEDISH WEST COAST. FOR THE MOMENT AT LEAST,
THERE SEEMED LITTLE OPTIMISM IN LOCAL BUSINESS, LABOR,
AND POLITICAL CIRCLES THAT A CONVERSION TO "ALTERNATIVE
INDUSTRIES" ENVISIONED BY THE GOVERNMENT WILL BE ABLE TO
REPLACE THIS LOSS.
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